



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Northwest Bancorporation, Inc.

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| Person to be contacted regarding this report: | Holly Poquette |
| CPP Funds Received: | \$10,500,000 |
| CPP Funds Repaid to Date: | \$0 |
| Date Funded (first funding): | 2/13/2009 |
| Date Repaid ¹ : | |

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| RSSD: (For Bank Holding Companies) | 2088329 |
| Holding Company Docket Number: (For Thrift Holding Companies) | |
| FDIC Certificate Number: (For Depository Institutions) | 27601 |
| City: | Spokane |
| State: | Washington |

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

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| <input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred. | Has allowed Inland Northwest Bank the opportunity to make Commercial & Industrial (C&I) loans which would have not been possible without the additional capital. Our total risk-based capital ratio was getting close to falling below well-capitalized. |
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| <input checked="" type="checkbox"/> | <p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p> | <p>Small business, C&I and consumer loans have not been restricted.</p> |
| <input type="checkbox"/> | <p>Increase securities purchased (ABS, MBS, etc.).</p> | |
| <input type="checkbox"/> | <p>Make other investments</p> | |
| <input checked="" type="checkbox"/> | <p>Increase reserves for non-performing assets</p> | <p>The capital allowed us to maintain our well-capitalized position while also increasing the loan loss reserve.</p> |

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| <input checked="" type="checkbox"/> | Reduce borrowings | NW Bancorporation paid off a \$3 million loan. |
| <input type="checkbox"/> | Increase charge-offs | |
| <input type="checkbox"/> | Purchase another financial institution or purchase assets from another financial institution | |
| <input checked="" type="checkbox"/> | Held as non-leveraged increase to total capital | Trying to leverage through lending to small business, but there isn't enough quality loan demand. Also, the FDIC's new liquidity and capital requirements are forcing us to hold higher levels of non-leveraged capital. This limits our ability to use those funds to support increased lending. |

What actions were you able to avoid because of the capital infusion of CPP funds?

- * Aggressive shrinking of balance sheet which could have resulted in more severe discounts and increased losses.
- * Distressed liquidation of assets
- * Restricting lending to existing clients.
- * Limiting lines of credit to existing clients.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

- * While some layoffs were required, they were not as extensive as they otherwise might have been.
- * Meet all of the credit needs of our existing customers.
- * Did not restrict lending to small business and new customers.
- * To complete conversion of an in-store branch to a free-standing branch (as had been previously planned).
- * Hire one mortgage loan originator to expand residential lending capacity.
- * Moved forward with planned technological advances (i.e. branch capture).

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

Postpone going to our existing shareholders for additional capital. See additional comments above.